

Investments and Pensions Oversight Committee

Representative Jim R. Trujillo, Chairman
June 6, 2013

Patricia (Patty) French, Board Chair, PERA

Wayne Propst, Executive Director, PERA



PERA FY13 Fund Performance

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The PERA Fund has grown from \$11.7 billion as of June 30, 2012 to \$13.3 billion as of April 2013, a 15.74% total Fund return to date for the fiscal year

Growth is due primarily to strength in the global equity markets:

- * S&P 500 is up 19.44%
- * Russell 3000 is up 20.22%
- * MSCI EAFE is up 26.41%
- * MSCI EM is up 13.04%
- * The HFRI Fund weighted Index is up 10.74%
- * Dow Jones REIT Index is up 16.60%

PERA Pension Reform

Post Legislative Session

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- * **2013: SB 27**, sponsored by Senator George Munoz and Representative Lucky Varela and endorsed by the IPOC makes comprehensive changes to the benefit offered by PERA across all membership groups and plans. SB 27 is effective July 1, 2013.
- * **Outreach Meetings and Employer Trainings:** By July 1st, PERA will have conducted 62 outreach meetings and employer trainings throughout the state. More than 1200 members have attended the meetings to date. Additional meetings may be scheduled if requested.
- * **Member Correspondence:** By July 1st, PERA will have sent more than 100,000 correspondence to our members with information about the changes resulting from SB 27, as well as updated member handbooks and our website with important information.
- * **RIO System Reprogramming:** PERA IT and User Administration staff are working with Hewitt Packard to ensure SB 27 changes are programmed, tested and deployed into the RIO System by July 1st. This is the most significant modification to RIO since the system went live in 2005.

SB 27

Tier 1 Pension Reform Changes

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- * **Current Active Members Hired Prior to July 1, 2013:**
 - * Reduced annual compounding COLA from 3% to 2%.
 - * Graduated seven full calendar year eligibility to receive COLA. No change in COLA one year eligibility for employees who retire at age 65 or older, or retire due to a disability.
 - * Establishes a blended pension benefit, calculated using the service credit the member has earned under each coverage plan with different pension factors.
 - * 90% pension benefit maximum.
- * **Current Retirees:**
 - * Reduced annual compounding COLA rate from 3% to 2%.
 - * Suspend COLA for return-to-work retirees during period of reemployment.
 - * COLA for normal retirement retirees who worked for at least 25 years and disability retirees who receive a pension of less than \$20,000 will be an annual compounding COLA rate of 2.5%.

SB 27

Tier 2 Pension Reform Changes

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- * **New Hires After July 1, 2013:**
- * *General Members: (Non-Public Safety Members) State General Members and Municipal General Members*
 - * 0.5% reduction in the Annual Pension Factor
 - * 5 year Final Average Salary
 - * Retirement eligibility: rule of 85 or age 65 with 8 years of service
 - * 8 year vesting period
 - * 90% pension maximum
 - * Blended pension calculated using the service credit the member has earned under each coverage plan with different pension factors
 - * 2% COLA
 - * 7 full calendar year eligibility period to receive a COLA

SB 27

Tier 2 Pension Reform Changes

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- * **New Hires After July 1, 2013:**
- * *Public Safety Plan Members (State Police Officers, Adult Correctional Officers, Adult Correctional Officers, Juvenile Correctional Officers, Municipal Police, Fire and Detention Officers)*
 - * 0.5% reduction in the Annual Pension Factor
 - * 5 year Final Average Salary
 - * Retirement eligibility: 25 years of service credit/any age or age 60 with 6 years of service credit
 - * 6 year vesting period
 - * 90% pension maximum
 - * Blended pension calculated using the service credit the member has earned under each coverage plan with different pension factors
 - * 2% COLA
 - * 7 full calendar year eligibility period to receive a COLA

Employer/Employee Contributions Effective July 1, 2013

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- * Increase employee contribution rate by 1.5%
- * Employee contribution increases of 1.5% will not apply to a member earning an annual salary of less than \$20,000
- * Beginning July 1, 2014, statutory employer contribution rates increase by 0.4%
- * Estimated total FY 2015 General Fund impact approximately \$2.8 million

Judicial and Magistrate Funds

Ideas for Reform

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- * Additional COLA reform***
- * Increase statutory contribution rates
- * Reduce pension multiplier
- * Transfer docket fees to the General Fund
- Increase vesting period
- * Increase final average salary calculation period

The PERA Board is committed to working with the Administrative Office of the Courts, the IPOC, Legislature and Executive to pass meaningful reform to the JRA and MRA plans in 2014.

**** The reduced compounding COLA of 2% and graduated seven full-calendar-year COLA eligibility period contained in SB 27 applies to all judges and magistrates effective July 1, 2013.*

Next Steps

- * Complete member outreach and training for 300+ public employers.
- * Finalize reprogramming, testing and deployment of changes to RIO.
- * After the fiscal year closing, PERA's actuaries will prepare annual, updated valuations for all PERA plans including the JRA and MRA plans.
- * The updated funding projection for the PERA Fund using FY13 returns and a 30 year projection will give an indication of the impact of the changes made by SB 27, as well as serve as the basis for analysis of any additional changes proposed to the JRA and MRA plans. The projections will be available to the Committee in September or October.

Appendix:

PERA Earnings by Asset Class through March 31, 2013

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